New Castle County
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2022

Federal Agency: Pass-through Entity: Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Total Subgrantee Expenditures
U.S. Department of Housing & Urban Development:				
Office of Community Planning and Development				
Emergency Solutions Grant Program	14.231		979,601	922,771
HOME Investment Partnerships Program	14.239		1,149,233	969,481
Pass-Through Program From:				
Delaware State Housing Authority (1)				
Neighborhood Stabilization Program ARRA	14.256	NSP 02-09	125,166	-
CDBG - Entitlement Grants Cluster				
COVID-19 Community Development Block Grant/Entitlement Grants	14.218		3,644,967	1,165,720
Pass-Through Program From:				
Delaware State Housing Authority (1)				
Community Development Block Grants/Entitlement Grants	14.218	NSP 05-08	26,182	
Total CDBG - Entitlement Grants Cluster			3,671,149	1,165,720
CDBG - State-Administered CDBG Cluster				
Pass-Through Program From:				
Delaware State Housing Authority (1)				
Community Development Block Grants/State	14.228	NSP 02-11	69,034	-
Total CDBG - State-Administered CDBG Cluster			69,034	-
Office of Public and Indian Housing				
Housing Choice Voucher Cluster				
Section 8 Housing Choice Vouchers (3)	14.871		16,632,099	384,836
Total Housing Choice Voucher Cluster			16,632,099	384,836
Office of Lead Hazard Control and Healthy Homes				
Lead-Based Paint Hazard Control in Privately-owned Housing	14.900		350,284	-
Healthy Homes Production Program	14.913		11,443	-
			361,727	
Total U.S. Department of Housing & Urban Development			22,988,009	3,442,808
U.S. Department of Justice:				
Office for Victims of Crime				
Department of Safety and Homeland Security (1)				
Crime Victim Assistance	16.575	SUBGRANT 2178 & 2044	152,288	-
Office of Justice Programs				
Bureau of Justice Assistance				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		138,793	-
Comprehensive Opioid Abuse Site-Based Program	16.838		292,741	-
ABH Mental Heatlh	16.745		198,765	-
COVID-19 Coronavirus Emergency Supplement Funding Program	16.034		257,294	-
Pass-Through Programs From:				
Criminal Justice Council (1)				
Comprehensive Opioid Abuse Site-Based Program	16.838	2017-AR-BXK015	50,692	-
Office of Community Oriented Policing Services				
Public Safety Partnership and Community Policing Grants	16.710		115,196	-
Criminal Division				
Equitable Sharing Program	16.922		13,409	-
Total U.S. Department of Justice			1,219,178	-

The accompanying notes to the schedule of expenditures of federal awards are an integral part of the schedule.

New Castle County
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2022

Federal Agency: Pass-through Entity: Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Total Subgrantee Expenditures
U.S. Department of Transportation:				
National Highway Traffic Safety Administration				
Pass-Through Programs From:				
Department of Transportation (1)				
Alcohol Open Container Requirements	20.607	Various	7,693	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AAME-1 & AAME-2	-	-
Highway Safety Cluster				
Pass-Through Programs From:				
Department of Transportation (1)				
State and Community Highway Safety	20.600	Various	24,533	-
National Priority Safety Programs	20.616	Various	7,388	-
Total Highway Safety Cluster			31,921	-
Total U.S. Department of Transportation			39,614	-
U.S. Department of Treasury:				
Coronavirus Relief Fund				
COVID-19 Coronavirus Relief Fund	21.019		30,690,850	5,300,259
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		9,585,374	743,643
Pass-Through Programs From:				
Delaware State Housing Authority (1)				
COVID-19 Emergency Rental Assistance Program	21.023	DE-ERA-HSS-CNP-011	83,394	-
Sussex County				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	75,000	-
Total U.S. Department of Treasury			40,434,618	6,043,902
Institute of Museum and Library Services				
Institute of Museum and Library Services,				
Pass-Through Programs From:				
Department of State (1)				
COVID-19 Grants to States - ARPA	45.310	N/A	144,595	-
COVID-19 National Leadership Grants-CARES Act	45.312	CAG-ML-FY20	42	-
Total Institute of Museum and Library Services			144,637	-
Environmental Protection Agency:				
Office of Wastewater Management				
Pass-Through Program From:				
Department of Natural Resources and Environmental Control (1)				
ARRA-CW State Revolving Fund	66.458	CW-2017-010	1,094,409	-
Total Clean Water State Revolving Fund Cluster			1,094,409	-
Total Environmental Protection Agency			1,094,409	-
Department of Health and Human Services:				
Centers for Disease Control and Prevention				
Pass-Through Programs From:				
Department of State(1)				
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	N/A	98,018	-
Total Department of Health and Human Services			98,018	-
Department of Homeland Security:				
Pass-Through Programs From:				
Department of Safety and Homeland Security (1)				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	N/A	7,307,911	4,347,718
Emergency Management Performance Grants	97.042	EMPG-(16,17,18,19,20)-002	396,568	10,979
FY15 Pre-Disaster Mitigation 143 FW Rd	97.047	PDMC-PJ-DE-2015-003	656	-
Homeland Security Grant Program (2)	97.067	MOU	147,805	-
Total Department of Homeland Security			7,852,940	4,358,697
TOTAL FEDERAL AWARDS			73,871,423	13,845,407

(1) Pass-Through the State of Delaware.
(2) Donated Federal Equipment-$76,335.06
(3) Housing Choice Vouchers Subgrantee - Ports-In

The accompanying notes to the schedule of expenditures of federal awards are an integral part of the schedule.

NEW CASTLE COUNTY
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of New Castle County, Delaware and is presented on the modified accrual basis of accounting. Matching funds are excluded from the schedule and Program Income generated from Federal Grants is classified as Federal Expenditures when spent. The information on this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Account Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing Number (ALN) 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2. Loans Outstanding

New Castle County, Delaware administers low-income housing loan programs under the Community Development Block Grant and Home Investment Partnership Program, and Neighborhood Stabilization Program. The County had the following loan balances outstanding at June 30, 2022:

Program Title	Federal ALN Number		Amount Outstanding
Community Development Block Grants/Entitlement Grants	14.218	$	9,600,049
HOME Investment Partnerships Program	14.239		4,453,883
NSP Grants G40400099,G40400100 and G4040010	14.218,14.256,14.228		693,369
		$	14,747,301

Note 3. Indirect Costs

The County did not elect to use the De Minimis cost rate for indirect costs.

Note 4. Unexpended balance of loans available from CW State Revolving Fund:

ARRA Clean Water State Revolving Fund	66.458	$	4,983,131

Note 5. Reclass of prior year expenditures

Disaster Grants – Public Assistance ALN (97.036): After a Presidential-Declared Disaster, FEMA provides a Public Assistance Grant to reimburse eligible costs. For the year ended June 30, 2022, $7,307,911 of approved eligible expenditures that were incurred in a prior year are included on the Schedule.

FY2022

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of County Council
New Castle County, Delaware
New Castle, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Castle County, Delaware (the County), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Members of County Council
New Castle County, Delaware

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Castle County, Delaware's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the findings identified in our audit and described in the accompanying schedule of findings. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
March 27, 2023

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Members of County Council
New Castle County, Delaware
New Castle, Delaware

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited New Castle County (the County)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2022. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Community Block Development Grant/Entitlement Grants (CDBG) and Coronavirus State & Local Fiscal Recovery Funds (CSLFRF) Programs

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the CDBG and CSLFRF programs for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative* Requirements, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

Members of County Council
New Castle County, Delaware

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinions on the Community Block Development Grant/Entitlement Grants (CDBG) and Coronavirus State & Local Fiscal Recovery Funds (CSLFRF) Programs
As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding:

Program	Assistance Listing	Noncompliance	Finding Number
Community Block Development Grant/Entitlement Grants	14.218	Reporting	2022-003
Coronavirus State & Local Fiscal Recovery Funds	21.027	Reporting	2022-004

Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to the programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004 to be material weaknesses.

Members of County Council
New Castle County, Delaware

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. the County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
March 27, 2023

NEW CASTLE COUNTY, DELAWARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I – Summary of Independent Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

• Material weakness(es) identified?	____ yes	x no
• Significant deficiency(ies) identified?	x yes	____ none reported

3. Noncompliance material to basic financial statements noted? ____ yes x no

Federal Awards

1. Internal control over major federal programs:

• Material weakness(es) identified?	x yes	____ no
• Significant deficiency(ies) identified?	____ yes	x none reported

2. Type of auditors' report issued on compliance for major federal programs: See below.

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes ____ no

Identification of Major Federal Programs

Assistance Listing Number(s)	**Name of Federal Program or Cluster**	**Opinion**
14.218	Community Development Block Grant	Qualified
97.036	Disaster Grants – Public Assistance	Unmodified
21.027	Coronavirus State and Local Fiscal Recovery Funds	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: $2,216,143

Auditee qualify as low-risk auditee? Yes

NEW CASTLE COUNTY, DELAWARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings

<u>2022 – 001</u> Financial Close and Reporting

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition
The financial statements of New Castle County, Delaware for the year ended June 30, 2021 omitted the activity of the Hope Center, a sub-fund of the General Fund.

Criteria
Governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting governmentwide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Context
During the fiscal year ended June 30, 2021, a checking account was established in the name of the County for the operation of the Hope Center. The balance in this account was not properly identified and reported in the financial statements for the year ended June 30, 2021. The balances excluded from the County's financial statements for the Hope Center for cash and accounts receivable were $632,560 and $119,700, respectively. Revenue excluded from the County's financial statements was $1,090,633.

Effect
The financial statements for the year ended June 30, 2021 were misstated. Correcting entries were subsequently posted by management to the County's records and the appropriate balances are presented in the audited financial statement.

Cause
The accounting division was not notified that the separate account was established, nor was the finance department notified of the activity being recorded in the separate account. This caused the fund's omission.

Repeat Finding
No.

Recommendation
We recommend the County review its current process for establishing cash accounts and corresponding funds and communicating those accounts to the finance department.

Views of responsible officials
Management agrees with the finding. It is noted that the New Castle County Hope Center was created during the height of the COVID-19 Pandemic to address an urgent need to provide emergency housing for people experiencing homelessness. From the purchase of Hope Center on December 1, 2020 to opening on December 15, 2020, there was an expediency due to the public health emergency in creating the required fiscal procedures and policies. The County is developing a policy related to external bank accounts to ensure that all activity is appropriately captured in the financial records of the County.

2022 – 002 Reporting – Schedule of Expenditures of Federal Awards (SEFA)

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition
The Schedule of Expenditures of Federal Awards (SEFA) contained errors related to the amount provided to subrecipients.

Criteria
2 CFR part 200.510 states that the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended. At a minimum, the schedule must:

1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.

4) Include the total amount provided to subrecipients from each Federal program.

Context
The Community Development Block Grant (CDBG) ALN#14.218 and the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) ALN#21.027 reported subrecipients expenditures of $391,512 and $75,000, respectively which were expenditures incurred by the County.

Effect
The amounts reported as Subgrantee Expenditures on the SEFA were initially misstated; however, total Federal Expenditures on the SEFA were accurately reflected.

Cause
The expenditures were provided to a third-party management company who processed invoices on behalf of the County. These expenditures were recorded as subrecipient payments.

Repeat Finding
No.

Recommendation
We recommend the County review its process for identifying and reporting subrecipient activities.

Views of responsible officials
Management agrees with the finding. Additional controls have been put in place to require an additional review level at the department level for all amounts reported as subrecipient expenditures.

Section III – Findings and Questioned Costs – Major Federal Programs

2022 – 003

Federal Agency:	U.S. Department of the Treasury
Federal Program:	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Assistance Listing Number:	21.027
Award Period:	March 3, 2021 – December 31, 2024, liquidated by December 31, 2026
Compliance Requirement:	Reporting
Type of Finding:	Material Weakness in Internal Control Over Compliance, Material Noncompliance

Criteria or specific requirement:
Compliance: Reporting requirements for Coronavirus State and Local Fiscal Recovery Funds includes the following:

Project and Expenditure Reports: Each recipient is required to report obligations and expenditures by project according to its corresponding Expenditure Category. The Project and Expenditure Report provides information on projects funded, expenditures, and contracts and subawards greater than or equal to $50,000, and other information required from recipients.

For purposes of reporting in the SLFRF portal, an obligation is an order placed for property and services, contracts and subawards made, and similar transactions that require payment. An expenditure is the amount that has been incurred as a liability of the entity (the service has been rendered or the good has been delivered to the entity).

An initial quarterly Project and Expenditure Report covered three calendar quarters from March 3, 2021 to December 31, 2021 and was required to be submitted to Treasury by January 31, 2022. Subsequent quarterly reports cover one calendar quarter and are required to be submitted to Treasury by the last day of the month following the end of the period covered.

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:
The supporting documentation did not agree with amounts reported for obligations, expenditures and subawards on the Project and Expenditure Reports.

Context:
The following reports were selected for testing:
1) Project and Expenditure Reports for the 3/31/2022 and 6/30/2022 quarters: From these reports, 17 projects were selected for testing obligations and expenditures, 2 subawards greater than $50,000 and 11 subawards less than $50,000 were selected.

The following exceptions were noted:

1) Project and Expenditure Reports:
    - Obligations: For 8 of 17 projects reported, obligations did not agree to supporting documentation. Additionally, 3 projects were included in the supporting documentation that were not reported.
    - Expenditures – For 3 of 17 projects reported, expenditures did not agree to supporting documentation. Additionally, 3 projects were included in the supporting documentation that were not reported.
    - Subawards greater than $50,000: For 1 of 2 subawards greater than $50,000, reported obligations did not match supporting documentation.
    - Subawards less than $50,000: For 6 of 11 subawards, reported obligations did not match supporting documentation.

Questioned costs:
Undetermined.

Cause:
Internal Controls were not operating effectively to ensure that Project and Expenditure Reports were submitted accurately.

Effect:
Obligations, expenditures, and subaward information reported to Treasury did not agree to supporting documentation.

Recommendation:
The County should enhance its procedures and internal controls regarding preparation of the Project and Expenditure Reports to ensure that information reported is accurate and agrees to supporting documentation.

Views of responsible officials: Management agrees with the finding. New Castle County self-reported the variances in expenditures and obligations due to accruals of costs to previously reported quarters. Such variances can be common with just-in-time reporting. Regarding the omitted projects, the Reporting Portal has undergone several updates throughout the period of performance. These updates contributed to confusion in required data for projects. The omitted projects were included in the subsequent reports after the data points were known and tracked. Regarding the reporting of project obligations, Treasury's definition of obligation is very broad, and FAQ 13.17 allows the recipient to use its discretion to determine when an obligation is incurred. Such discretion calls for the interpretation of several source documents. In each report total obligations were not less than total expenditures nor did total obligations exceed available funding.

2022 – 004

Federal Agency:	U.S. Department of Housing and Urban Development
Federal Program:	Community Development Block Grant/Entitlement Grants
Assistance Listing Number:	14.218
Award Period:	June 23, 2009 through September 1, 2028
Compliance Requirement:	Reporting – Federal Funding Accountability and Transparency Act (FFATA)
Type of Finding:	Material Weakness in Internal Control Over Compliance, Material Noncompliance

Criteria or specific requirement:
Compliance: Per the Federal Funding Accountability and Transparency Act (FFATA), prime (direct) recipients of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Reports must be filed in FSRS by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to $30,000. If the initial award is below $30,000 but subsequent grant modifications result in a total award equal to or over $30,000, the award will be subject to the reporting requirements as of the date the award exceeds $30,000. If the initial award equals or exceeds $30,000 but funding is subsequently de-obligated such that the total award amount falls below $30,000, the award continues to be subject to FFATA reporting requirements.

The following key data elements must be reported: Subawardee Name and Data Universal Numbering System (DUNS) number; Amount of Subaward (inclusive of modifications); Subaward Obligation/Action Date; Date of Report Submission; Subaward Number; Project Description; and Names and Compensation of Highly Compensated Officers. (Names and Compensation of Highly Compensated Officers must only be reported when the entity in the preceding fiscal year received 80 percent or more of its annual gross revenues in Federal awards; and $30,000,000 or more in annual gross revenues from Federal awards; and the public does not have access to this information about the compensation of the senior executives of the entity through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986.)

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:
The County did not report required subaward information to FSRS for first-tier subawards of $30,000 or more.

Context:

Zero of two subawards selected for testing were reported to FSRS. Total subawards tested were $1,090,268, and $0 was reported as required by FFATA requirements.

Transactions Tested	**Subaward not reported**	**Report not timely**	**Subaward amount incorrect**	**Subaward missing key elements**
2	2	0	0	0
Dollar Amount of Tested Transactions	**Subaward not reported**	**Report not timely**	**Subaward amount incorrect**	**Subaward missing key elements**
$1,090,268	$1,090,268	$0	$0	$0

Questioned costs:
None noted.

Cause:
The County's policies and procedures were not sufficient to ensure that required subaward information was reported to FSRS. Internal controls did not prevent or detect the errors.

Effect:
Subawards were not reported to FSRS in accordance with FFATA requirements.

Recommendation:
We recommend that the County develop internal controls and procedures to ensure that FFATA reporting requirements are met. We further recommend the County develop controls and procedures to ensure that all required subawards are reported accurately and timely to FSRS.

Views of responsible officials: Management agrees with the finding. The Department of Community Services is developing internal controls to ensure that FFATA reporting requirements are met. A system has been created to ensure all required sub-awards are reported accurately and timely in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). See Corrective Action Plan for details.

MATTHEW MEYER
COUNTY EXECUTIVE

MICHAEL SMITH
CHIEF FINANCIAL OFFICER

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OFFICE OF FINANCE

NEW CASTLE COUNTY, DELAWARE
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2022

New Castle County, Delaware respectfully submits the following corrective action plan for the year ended June 30, 2022.

Audit period: June 30, 2022

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT
SIGNIFICANT DEFICIENCY
2022-001 Financial Close and Reporting

Recommendation: We recommend the County review its current process for establishing cash accounts and corresponding funds and communicating those accounts to the finance department.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: Management agrees with the finding. It is noted that the New Castle County Hope Center was created during the height of the COVID-19 Pandemic to address an urgent need to provide emergency housing for people experiencing homelessness. From the purchase of Hope Center on December 1, 2020 to opening on December 15, 2020, there was an expediency due to the public health emergency in creating the required fiscal procedures and policies. The County is developing a policy related to external bank accounts to ensure that all activity is appropriately captured in the financial records of the County.

Name(s) of the contact person(s) responsible for corrective action: Stephanie Scola, Karen Wallace, Carey Casey

Planned completion date for corrective action plan: June 30, 2023

2022-002 Reporting – Schedule of Expenditures of Federal Awards (SEFA)

Recommendation: We recommend the County review its process for identifying and reporting subrecipient activities.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

MATTHEW MEYER
COUNTY EXECUTIVE

New Castle County 1673 Delaware

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Action taken in response to finding: Management agrees with the finding in that the amounts reported as Subgrantee Expenditures on the SEFA were initially misstated; however, the amounts reported as Total Federal Expenditures on the SEFA were accurately reflected. Additional controls have been put in place to require an additional review level at the department level for all amounts reported as subrecipient expenditures.

Name(s) of the contact person(s) responsible for corrective action: Karen Wallace, Fiscal Staff at each department

Planned completion date for corrective action plan: June 30, 2023

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

MATERIAL WEAKNESS

2022-003 Coronavirus State and Local Fiscal Recovery Funds – Assistance Listing No. 21.027

Recommendation: The County should enhance its procedures and internal controls regarding preparation of the Project and Expenditure Reports to ensure that information reported is accurate and agrees to supporting documentation.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: : New Castle County self-reported the variances in expenditures and obligations due to accruals of costs to previously reported quarters. Such variances can be common with just-in-time reporting. Regarding the omitted projects, the Reporting Portal has undergone several updates throughout the period of performance. These updates contributed to confusion in required data for projects. The omitted projects were included in the subsequent reports after the data points were known and tracked. Regarding the reporting of project obligations, Treasury's definition of obligation is very broad and FAQ 13.17 allows the recipient to use its discretion to determine when an obligation is incurred. Such discretion calls for the interpretation of several source documents. In each report total obligations were not less than total expenditures nor did total obligations exceed available funding.

Name(s) of the contact person(s) responsible for corrective action: Benjamin Morris-Levenson

Planned completion date for corrective action plan: June 30, 2023

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2022-004 14.218 Community Development Block Grant/Entitlement Grants – Assistance Listing No.

Recommendation: We recommend that the County develop internal controls and procedures to ensure that FFATA reporting requirements are met. We further recommend the County develop controls and procedures to ensure that all required subawards are reported accurately and timely to FSRS.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The Department of Community Services is developing the following internal controls to ensure that FFATA reporting requirements are met. A system has been created to ensure all required sub-awards are reported accurately and timely in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

The following actions have been taken to ensure future compliance FFATA reporting requirements:

- DCS Fiscal Staff is creating an account within the FSRS system on March 27, 2023
- DCS Grant Management Staff visited the FSRS site to research the data needed to report
- DCS Grant Management Staff created a document outlining the subaward entity information needed. Any entities receiving a sub-award of $30,000 or more will have this document attached to their Funding Award Letter. The FFTA Forms **must** be completed by the entity (signed by their Fiscal Officer) and returned to DCS Grant Management staff within 10 business days. A contract will not be issued until the completed FFTA Form is received.

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- When the entity returns the completed FFATA Reporting Form to the DSC Grants Department, staff will forward a copy to DCS's Fiscal Department. DCS's Fiscal staff will enter the information into the FSRS. A contract will then be sent to the entity.

- DCS Grants Management and Fiscal Staff will be provided the FFATA/FSTS guidance and educated on the new process DCS has established for FFATA Reporting.

- DCS will have until the end of the month, plus one additional month after an award or sub-award is made to enter the information into FSRS system. The DCS issued agency award letter is the point of reference.

Name(s) of the contact person(s) responsible for corrective action: Carey Casey

Planned completion date for corrective action plan: June 30, 2023

If there are questions regarding this plan, please call Karen Wallace at 302-395-5165.

MATTHEW MEYER
COUNTY EXECUTIVE

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- DCS Grants Management and Fiscal Staff will be provided the FFATA/FSTS guidance and educated on the new process DCS has established for FFATA Reporting.

- DCS will have until the end of the month, plus one additional month after an award or sub-award is made to enter the information into FSRS system. The DCS issued agency award letter is the point of reference.

Name(s) of the contact person(s) responsible for corrective action: Carey Casey

Planned completion date for corrective action plan: June 30, 2023

If there are questions regarding this plan, please call Karen Wallace at 302-395-5165.

New
Castle
County
1673
Delaware

NEW CASTLE COUNTY, DELAWARE

2022 Annual Comprehensive Financial Report